



State of Washington
Department of Revenue

Excise Tax Advisory

Excise Tax Advisories (ETA) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

NUMBER: 502.40.181 **CANCELLED 02/15/01**

CONVERSION DATE: July 1, 1998

SUITABLE RECORDS - TIMBER HARVESTERS

Issued February 25, 1976

Taxpayer was engaged in manufacturing lumber from his own logs. In connection with that business taxpayer scaled and graded his logs for state forest excise tax purposes. An audit of scale slips revealed that while the taxpayer had recorded length, diameter and specie of the log, no grading details required by the Puget Sound Log Scaling and Grading Bureau had been included on the scale slips pursuant to WAC 458-40-181(2) to support the taxpayer's classification of timber quality codes. The taxpayer urged that he had used the official scaling and grading rules and that he felt there was no reason to record the quality details on the scale slips as the logs were manufactured at his own mill.

RCW 82.32.070 requires for excise tax purposes that:

Every person liable for any fee or tax imposed by chapters 82.04 through 82.28 RCW shall keep and preserve, for a period of five years, suitable records as may be necessary to determine the amount of any tax for which he may be liable, which records shall include copies of all federal income tax and state tax returns and reports made by him. All his books, records, and invoices shall be open for examination at any time by the Department of Revenue. . . . Any person who fails to comply with the requirements of this section shall be forever barred from questioning, in any court action or proceedings, the correctness of any assessment of taxes made by the department of revenue based upon any period for which such books, records, and invoices have not been so kept and preserved. (Emphasis ours.)

All taxpayers are bound by this law. In the case of a timber harvester, WAC 458-40-181(2) requires that timber quality be determined in accordance with the directions set out in the official log scaling and grading rules for the Puget Sound Log Scaling and Grading Bureau. The recording and preservation of detailed scaling slips is necessary to fulfill the requirements of the law and published rule

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

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set out above for forest excise tax purposes. Anything less, especially in the case of a taxpayer filling out his own scaling slips, would be self-serving at best. The law in this area is mandatory and the absence of grading quality details on scaling slips as required by the official log scaling and grading rules is a clear violation of the law and constitutes inadequate and insufficient records for purposes of RCW 82.32.070.